Australian National University

# SELECTED ISSUES FOR CLOSING THE INCOME GAPS BETWEEN INDIGENOUS AND OTHER AUSTRALIANS, 2001–11

B. HUNTER

Centre for Aboriginal Economic Policy Research
ANU College of Arts & Social Sciences

CAEPR TOPICAL ISSUE NO. 1/2012

# Series Note

The Centre for Aboriginal Economic Policy Research (CAEPR) was established at The Australian National University (ANU) in April 1990. Since 1 January 2010, CAEPR has operated as an academic unit within the Research School of Social Sciences in the College of Arts and Social Sciences at ANU. The Centre is funded from a variety of sources including ANU, Australian Research Council, industry and philanthropic partners, the Department of Families, Housing, Community Services and Indigenous Affairs, and State and Territory governments.

CAEPR's principal objective is to undertake high-quality, independent research that will assist in furthering the social and economic development and empowerment of Aboriginal and Torres Strait Islander people throughout Australia. Its aim is to combine academic and teaching excellence on Indigenous economic and social development and public policy with realism, objectivity and relevance.

CAEPR is Australia's foremost social science research centre focusing on Indigenous economic and social policy from a national perspective. The Centre's publications, which include the CAEPR Working Paper series established in 1999, aim to report on Indigenous circumstance, inform public debate, examine government policy, and influence policy formulation.

CAEPR Topical Issues present a broad ephemera of documents created by CAEPR staff contributing to the analysis of contemporary issues and debates in Indigenous affairs. They are available in electronic format only for free download from CAEPR's website:

caepr.anu.edu.au

*As with all CAEPR publications, the views expressed in this Working Paper are those of the author(s) and do not reflect any official CAEPR position.*

Professor John Taylor
Director, CAEPR
Research School of Social Sciences
College of Arts & Social Sciences
The Australian National University
June 2012

***Acknowledgements***

I am grateful to Mandy Yap for her patient research assistance and statistical support. Editorial assistance was provided by Monica Howlett and Gillian Cosgrove.

# Selected issues for closing the income gaps between Indigenous and other Australians, 2001–11

B. Hunter

**Boyd Hunter** is a Senior Fellow at the Centre for Aboriginal Economic Policy Research, Research School of Social Sciences, The Australian National University, Canberra.
Email: **boyd.hunter@anu.edu.au**

*Topical Issue No. 1/2012*

An electronic publication downloaded from <caepr.anu.edu.au>.

For a complete list of CAEPR Topical Issues, see <caepr.anu.edu.au/publications/topical.php>.

Centre for Aboriginal Economic Policy Research
Research School of Social Sciences
College of Arts and Social Sciences
The Australian National University

## Introduction

The dominant paradigm for understanding Indigenous disadvantage is closing the gaps between Indigenous and other Australians within a set time frame (Steering Committee for the Review of Government Service Provision (SCRGSP) 2010). Policy targets have been set for gaps in life expectancy, mortality rates for Indigenous children, access to early childhood education in remote communities, reading, writing and numeracy, Year 12 attainment, and employment outcomes. The Council of Australian Governments (COAG) recognises that overcoming Indigenous disadvantage will require long-term generational commitment across a range of strategic 'Building Blocks' which support the 'Closing the Gap' targets identified.

The level of resources available to individuals, households and local communities is likely to be a key issue for all these 'Closing the Gap' targets through the effect on the 'Building Blocks' and relevant contextual factors. Personal income is particularly important because it indicates an individual's command over resources—however, the overall resources available to households can also provide insights into how the experience of Indigenous families is affected by changing socioeconomic circumstances. Any attempts to make inferences about Indigenous welfare require that demands on household resources are taken into account in a rudimentary fashion. This Topical Issue charts recent changes in personal and household income by combining the first release census data for 2011 with community profiles for Indigenous and other households from the 2001 and 2006 Censuses. Changes in household size and housing cost are also explored in order to appreciate some of the changing pressures on family resources.

The main analysis will focus on national trends, however there is good reason to expect some variation in these trends within Australia. The recent *State of the Regions* report identifies how the mining boom has been experienced unevenly throughout Australian regions (National Economics 2012). At a national level,

there is currently over $30 billion per annum in investment, with a flow-on effect for the rest of the economy that increased Gross Domestic Product by $23 billion per annum. While the national effect has been manifest, investment and the subsequent effects are concentrated in remote regions, where there are a disproportionate number of Indigenous Australians (relative to the national average). In some areas the local economy has boomed, with subsequent influx of labour (often associated with population increases depending on the incidence of fly-in-fly-out workers), and improvements in productivity and hence wages. In other areas, the economies have been more stagnant and even somewhat depressed, as investment shifts towards the mining regions and the high Australian dollar makes exports relatively uncompetitive. This is the regional manifestation of the 'regional resource' curse which is, in essence, an economic imbalance that can lead to pronounced allocational distortions with considerable social and political implications (Warr 2006).

Langton (2010) provides a graphic description of the effect of resource curse on local Indigenous populations in the Pilbara and Kalgoorlie regions of Western Australia. Anyone who lives in a mining province but does not work for a mining company is disadvantaged in important ways: their income is much lower, yet they must pay the same exorbitant housing, food and services costs, thanks to the localised inflation brought about by the boom. While Indigenous employment in that sector has grown substantially in recent years (Gray, Hunter & Lohoar 2012), the vast majority of Indigenous residents of mining areas are not directly involved in mining. Notwithstanding, Indigenous people may receive considerable revenues for mining on their lands in various forms, including payments dependent upon the achievement of mining project milestones, ongoing rent for use of the land, or payments based on the volume or value of minerals extracted. It is an empirical question about the extent to which mining has affected Indigenous income and welfare in mining and other regions. This topical issue is a preliminary attempt to discern the extent to which the recent mining boom has affected Indigenous income and associated outcomes (relative to non-Indigenous outcomes), both for the nation as a whole and in selected mining and other areas.

## Data and Analysis

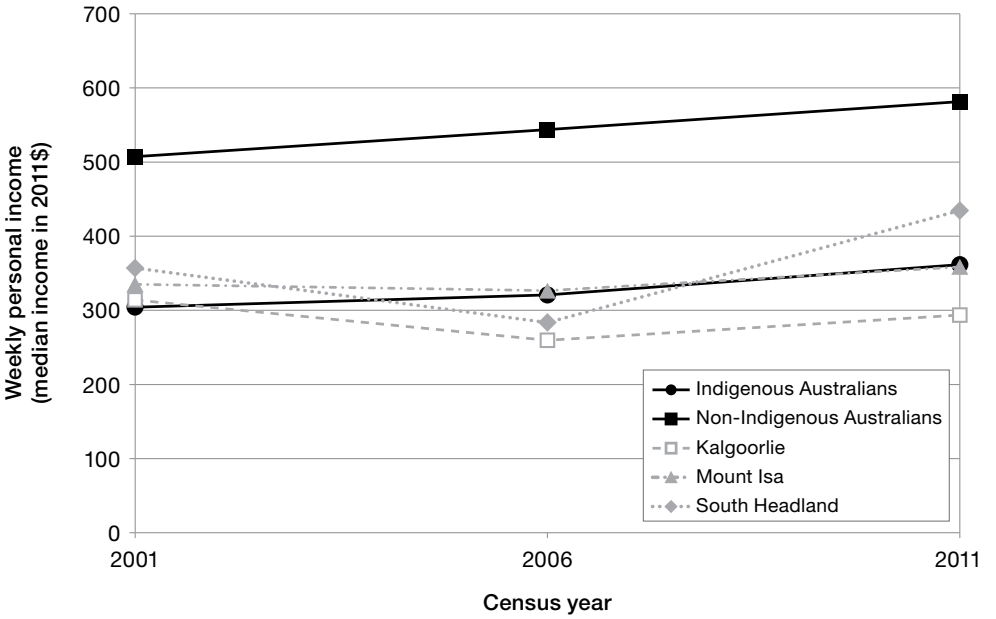
Community profiles for Indigenous and other households have been available for most recent censuses. In order to operationalise the research question, we need data that captures both the pre-boom and post-boom situation at a suitable level of geographic aggregation. The vast majority of the growth in mining employment has occurred since 2002 (ABS 2008), so the following analysis focuses on the last three Australian censuses (2001, 2006 and 2011). While the effects of the mining are likely to be somewhat localised, there are considerable spillovers into the surrounding regions and Australia as a whole. Although the effect of mining will be more evident in smaller areas, there is a limited amount of geographic data available in the first release of 2011 data. Another constraint is that it is not always possible to ensure that community profiles are comparable because of substantial changes in boundaries of smaller areas for which data is reported. At this stage, broad comparisons over time can only be made for Indigenous Regions which are largely based on the Aboriginal and Torres Strait Islander Commission (ATSIC) Regions used in the 2001 Census. Even then, there have been some changes, and the implications of any such change will be noted in what follows.

The first release data for the 2011 Census became available on 21 June 2012 and, as alluded to above, it only includes a limited amount of comparable geographic information (i.e. where statistical boundaries are relatively stable over time). In order to make some claims about what has happened in mining and other areas, we analysed data for Indigenous Regions within the Indigenous geography (ABS 2011). We estimated the importance of mining in overall employment in Indigenous Regions (i.e. including both Indigenous and non-Indigenous people) for 2001 and 2006. The areas were classified as a mining region if the average proportion of employment in the mining sector over those censuses was greater than 20 per cent. This criterion identified three Indigenous Regions where the economy has a strong mining component—South Hedland, Kalgoorlie and Mount Isa. Fortunately, these Indigenous Regions have not changed substantially over time. The one possible exception to this rule is that the ATSIC Region/Indigenous Region associated with Mount Isa become about 10 per cent larger between 2006 and 2011 in the area around Winton. There are no discrete Indigenous communities in this area so the average statistics reported in this paper will not be affected by this compositional change.

A more significant compositional problem for the analysis is the heterogeneity within the unit of analysis. Given that the regions studied are large where some communities are not directly involved in mining, while others are not. Langton (2010) pointed to some clear anomalies between mining and nearby communities. The local economy will be heavily influenced by mining for better or worse, but more refined analysis will not be possible until later census releases provide more disaggregated data (preferably including labour force data to allow inter alia some more direct imputation about wages).

There are just over 100 Indigenous people in Winton who were classified in Mount Isa in 2011, but were not in the Mount Isa region in earlier census years. However, the South Hedland and Kalgoorlie ATSIC Regions have an exceptionally close concordance with the analogous 2011 Indigenous Regions. Given the potential for issues relating

**FIGURE 1.** Trends in median personal income for Australia and selected mining areas, Indigenous and non-Indigenous Australians aged 15 years and over, 2001–11




**Note:** CPI are seasonally adjusted from quarterly data (ABS 2012).

to the validity of geographic comparisons in Mount Isa, the following section reports the separate trends in Indigenous and non-Indigenous outcomes in each of the mining regions in order to contrast those attained in other areas and Australia as a whole.

Readers should note that any claim made about Indigenous populations over time must be clear about the potential for compositional changes that might occur as a result of more Australians choosing to identify as Indigenous over time (at least since the 1960s). Readers who are interested in such issues are referred to the discussion in Altman, Biddle and Hunter (2005). Given that this paper only focuses on the three most recent censuses, this form of compositional change is unlikely to influence the following conclusions substantially. Another related compositional issue is that migration to mining areas for work may increase the average socioeconomic outcomes of an area if the migrants were already doing better than residents who always lived in mining areas. The net effect is that one might expect socioeconomic outcomes to improve in mining areas due to selective migration, so if there is no change in income data this is itself a noteworthy finding.

Figure 1 reports the trends in median personal income measured for all Indigenous Australians, as well as Indigenous residents in mining areas, and all non-Indigenous Australians aged 15 and over (all measured in 2011$). Not surprisingly, non-Indigenous incomes were substantially higher than Indigenous incomes on average. Overall, the median incomes of Indigenous Australians increased by a similar amount to that experienced by other Australians in both intercensal periods. While the mining boom in the Pilbara appears to be associated with a substantial increase in median income between 2006 and 2011, there was actually a decline in median personal income for both of the Western Australian mining areas in the previous intercensal period. In general the Indigenous income in the three mining regions was quite similar to that of the median personal income for all Indigenous Australians. Accordingly, it would probably be a mistake to make too much of the influence of the mining boom on local Indigenous residents.

Medians are a robust measure of central tendency that is not affected excessively by the very high (or very low) income recipients. Table A1 (p.8 of this *Topical Issue*) reports the mean income as well as the median income as an indirect means of identifying high income earners. Given that the reported means are always considerably higher than estimated medians, the mathematical expectation is that the income distribution has substantial numbers of high income earners. The greater the difference between estimated means and medians, the more the distribution is skewed towards high income groups.

In general, the mean income tells a similar story to the median income. One notable exception is that the mean income for Indigenous residents of South Hedland is becoming closer to the mean for non-Indigenous residents. This observation provides clear evidence that there are a group of very high Indigenous income earners that are probably employed in various mines. This issue should be explored in detail when labour force data becomes

**TABLE 1.** Selected outcomes of Indigenous and other Australian Households in last 3 censuses (both income and rent in 2011$)

| | Indigenous households | | | Other households | | |
|---|---|---|---|---|---|---|
| | **2001** | **2006** | **2011** | **2001** | **2006** | **2011** |
| **Household income (mean)** | | | | | | |
| Kalgoorlie | 1,101 | 1,191 | 1,345 | 1,528 | 1,806 | 1,981 |
| Mount Isa | 1,233 | 1,424 | 1,518 | 1,656 | 1,936 | 2,152 |
| South Hedland | 1,249 | 1,596 | 2,123 | 2,094 | 2,662 | 2,960 |
| Australia | 1,055 | 1,191 | 1,180 | 1,336 | 1,517 | 1,479 |
| **Household income (median)** | | | | | | |
| Kalgoorlie | 817 | 919 | 990 | 1,321 | 1,434 | 1,688 |
| Mount Isa | 1,019 | 1,112 | 1,093 | 1,435 | 1,697 | 1,852 |
| South Hedland | 976 | 1,216 | 1,760 | 1,923 | 2,301 | 2,795 |
| Australia | 837 | 914 | 991 | 1,038 | 1,191 | 1,241 |
| **Median rent** | | | | | | |
| Kalgoorlie | 123 | 95 | 100 | 168 | 164 | 210 |
| Mount Isa | 116 | 116 | 120 | 164 | 149 | 200 |
| South Hedland | 108 | 94 | 100 | 122 | 98 | 92 |
| Australia | 136 | 161 | 195 | 200 | 227 | 290 |
| **Average household size** | | | | | | |
| Kalgoorlie | 3.7 | 3.8 | 3.7 | 2.7 | 2.6 | 2.6 |
| Mount Isa | 4.1 | 4.0 | 3.7 | 2.7 | 2.5 | 2.5 |
| South Hedland | 3.7 | 3.8 | 3.7 | 2.8 | 2.7 | 2.7 |
| Australia | 3.5 | 3.3 | 3.3 | 2.6 | 2.6 | 2.6 |

Note: CPI are seasonally adjusted from quarterly data (ABS 2012). In order to compare rent data, medians were calculated from grouped for 2001 (and some 2006) data where the ABS did not publicly reported medians calculated using all the information at their disposal. Grouped data in the public domain can compress information; accordingly, the estimator outlined in Altman et al. (2005, 2009) is used to minimise potential bias in the estimated median.

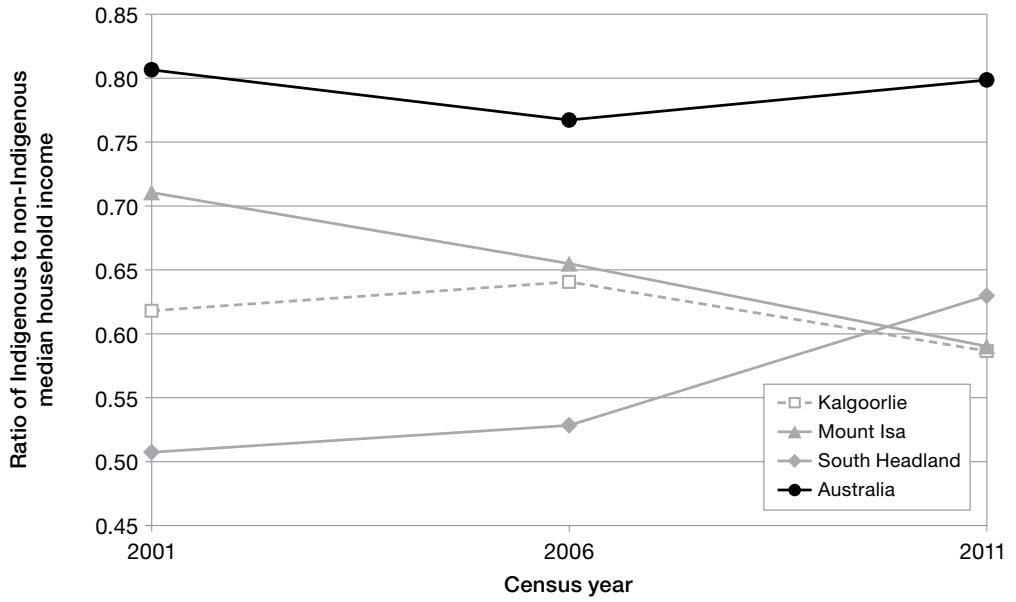
available with the second release census data later this year.

Unfortunately, we cannot estimate the personal income for non-Indigenous Australians in the mining regions at this stage because the Indigenous profiles released for Indigenous Regions do not include such information at this time. The Basic Community Profiles have been released for the whole population, but they have a different geographic basis to the Indigenous geography used in this paper. Accordingly we cannot identify how personal income varies relative to non-Indigenous population. However, Table 1 illustrates that the first release census data does include some household details so that Indigenous households (defined as one that contains at least one Indigenous person in it) can be compared to other households. This allows a rudimentary appreciation of how gaps might be closing between Indigenous and other Australians.

Income is increasing for both Indigenous and other households, even though the latter is generally substantially higher. At the same time, household sizes are declining slowly, although Indigenous households tend to be much larger on average. There is clear evidence in Table 1 that income is improving substantially for Indigenous households, especially in the Western Australian mining areas. Given that household size has fallen, this income is spread over fewer people and hence there is potentially a case that household welfare may improve by the experience of the mining boom. Median income for Indigenous households in Mount Isa may not have increased as much as the average for Indigenous Australians, but the mean household incomes in that region increased by substantially more than the Indigenous average. By itself that indicates that the benefits of mining income and employment are concentrated in a few high income Indigenous households. Later census releases will allow analysts to better control for household size and composition, and thus gain greater insights into household welfare, but the broad conclusions identified here are unlikely to change substantially.

Langton (2010) emphasised the role of housing costs in perpetrating the resource curse in areas experiencing a mining boom. In order to get some sense of this, the weekly median rents are reported in Table 1 to see the extend to which such costs drain disposable income. While housing costs increased steadily for Indigenous Australians in general, the median rent did not increase

**FIGURE 2.** Income gaps between Indigenous households and other households in selected areas, 2001–11




**Note:** CPI are seasonally adjusted from quarterly data (ABS 2012).

that much for Indigenous households in the three mining regions examined. Just as noteworthy is that Indigenous households in such areas tend to have low rent compared to other Australian households (irrespective of their Indigenous status). It may be that there are few Indigenous households that have much higher rents than previously (hopefully with some householders involved in mining employment), but this is not reflected in the rent paid by most such households in mining areas. If there is a 'resource curse' for Indigenous housing in mining areas, it is most likely to be manifest in a constrained supply of suitable housing rather than housing costs that appear to be capped by the owners of the housing stock.

In order to draw the analysis together, Figure 2 divides Indigenous household outcomes by those evident for other households in the same areas. For median household income, the relative gap between gross household incomes did not change between 2001 and 2011. That is, Indigenous household income was around 80 per cent of that of other households in Australia as a whole in both of those census years. In general, Indigenous household income in mining areas was lower than that of other households, possibly because of the relatively low level of Indigenous engagement in mining sector historically. There is no clear trend in relative income outcomes for mining regions, with relative income gaps increasing in Mount Isa and falling in the South Hedland Region. The relative changes in mining regions are neither encouraging nor concerning as they reflect what is happening for non-Indigenous households as much as anything else. However, Figure 2 does illustrate that one should not be relying on the mining boom to close the income gap between Indigenous and other Australians.

In conclusion, there is no consistent evidence that income gaps are closing between Indigenous and non-Indigenous Australians, especially in mining areas. The analysis in this paper is not very sophisticated, but it provides several stylised facts that should be analysed in more detail when the Australian Bureau of Statistics provides a more complete dataset later in the year (i.e. with more refined, comparable geographic data and full information on labour market participation of local residents in mining and other sectors). Notwithstanding these caveats, household income levels are generally better for Indigenous households in mining areas in absolute terms than they otherwise might be (i.e. without mining investment, say compared to other remote areas). While the resource curse is a real issue for the national economy in terms of potential allocational distortions in economic activities, the preliminary analysis could not identify an analogous resource curse for Indigenous residents in terms of housing costs. Indeed, rents of Indigenous housing in mining areas were relatively low compared to other Indigenous Australians and non-Indigenous households. While there appear to be clear economic benefits for many Indigenous households in mining areas, there are other important issues for local Indigenous peoples living near mines, including the fair and just compensation for the use of their land, not to mention the general issues of Aboriginal control and sovereignty over traditional country.

## References


Australian Bureau of Statistics (ABS) 2008. *Australian Social Trends*, cat. no. 4102.0, ABS, Canberra.

—— 2011. *Australian Statistical Geography Standard (ASGS): Volume 2 – Indigenous Structure, Australia*, cat. no. 1270.0.55.002, ABS, Canberra.

—— 2012. *Consumer Price Index, Australia*, cat. no. 6401.0, ABS, Canberra.

Altman, J.C., Biddle, N. and Hunter, B.H. 2005. 'A historical perspective on Indigenous socioeconomic outcomes, 1971–2001', *Australian Economic History Review*, 45 (3): 273–295.

—— 2009. 'Prospects for "Closing The Gap" in socioeconomic outcomes for Indigenous Australians?', *Australian Economic History Review*, 49 (3): 225–251.

Gray, M., Hunter, B. and Lohoar, S. 2012. 'Increasing Indigenous employment rates', *CtG Clearinghouse Issues Paper # 3*, Australian Institute of Health and Welfare, Canberra.

Langton, M. 2010. '"The resource curse": New outback principalities and the paradox of plenty', *Griffith Review*, 28 (Still the Lucky Country?): 46–62.

National Economics 2012. *State of the Regions: 2011–12*, Australian Local Government Association, Canberra.

Steering Committee for the Review of Government Service Provision (SCRGSP) 2010. *National Agreement Performance Information 2009–10: National Indigenous Reform Agreement*, Productivity Commission, Canberra.

Warr, P. 2006. 'The Gregory Thesis visits the Tropics', *The Economic Record*, 82 (257): 177–194.


**TABLE A1.** Personal income of Indigenous and non-Indigenous Australians aged 15 and over in the last three censuses (in 2011$ )

| | 2001 | 2006 | 2011 |
|---|---|---|---|
| **Personal income (mean)** | | | |
| Kalgoorlie | 489 | 431 | 469 |
| Mount Isa | 489 | 520 | 543 |
| South Hedland | 515 | 543 | 716 |
| Total Indigenous (Australia) | 443 | 478 | 524 |
| Total Non-Indigenous (Australia) | 675 | 711 | 725 |
| **Personal Income (median)** | | | |
| Kalgoorlie | 314 | 260 | 294 |
| Mount Isa | 336 | 327 | 359 |
| South Hedland | 357 | 284 | 435 |
| Total Indigenous (Australia) | 305 | 321 | 362 |
| Total Non-Indigenous (Australia) | 508 | 544 | 582 |

**Note:** See note in Table 1.